

Web Version

# Annual Report

for the year ending March 31, 2010

Prince Edward Island  
Housing Corporation



Community Services  
and Seniors

# ***Annual Report***

for the year ending March 31, 2010

Prince Edward Island  
Housing Corporation



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## *Message from the Minister*



Honourable H. Frank Lewis  
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

It is my privilege to present the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ended March 31, 2010. During the reporting period Doug Currie served as Minister Responsible for the Prince Edward Island Housing Corporation.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read 'Valerie E. Docherty', with a long, sweeping flourish extending to the right.

Valerie E. Docherty  
Minister Responsible for the  
Prince Edward Island Housing Corporation

## *Message from Chief Executive Officer*



Valerie E. Docherty  
Minister Responsible for  
The Prince Edward Island Housing Corporation

Honourable Minister:

I am pleased to submit the Annual Report of the Prince Edward Island Housing Corporation for the fiscal year ending March 31, 2010. During the reporting period Sharon Cameron served as Chief Executive Officer of the Prince Edward Island Housing Corporation.

Respectfully submitted,

A handwritten signature in cursive script that reads "Carol Anne Duffy".

Carol Anne Duffy  
Chief Executive Officer  
Prince Edward Island Housing Corporation

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## Overview

The PEI Housing Corporation (PEIHC) derives its authority from the *Housing Corporation Act of 1993*. The Housing Corporation assists in providing Islanders of low and moderate incomes with access to safe, affordable and adequate housing.

Over the years numerous studies have shown a direct relationship between the health and well-being of a population and the availability of safe affordable housing. Since the 1960's, through its social housing program, the PEIHC has worked to maintain adequate housing for low and moderate income Islanders. It is clear however the needs of Islanders are changing and the PEIHC endeavours to respond to these changes with the creation of new units and the modernization of existing units.

The PEIHC shares its responsibility in the provision of housing services with the Department of Community Services and Seniors and Family Housing Authorities. The PEIHC is responsible for the control of assets, liabilities and revenues. The Department of Community Services and Seniors is responsible for the management of family housing through nine Family Housing Authorities; direct management of seniors housing; liaison with the Government of Canada on housing issues; overseeing the administration of federal-provincial agreements and the delivery of most housing programs, including the Canada-PEI Affordable Housing Agreement.

The PEIHC works with many partners most notably the Canada Mortgage and Housing Corporation (CMHC), representing the Government of Canada. CMHC cost-shares provincial programs involving approximately 1,700 units and directly administers another 900 federally funded social housing units.

Federal/Provincial cost shared Social Housing Agreements support the rental housing needs of seniors, families and other Islanders in need of housing. As these agreements have commenced expiring, the PEIHC will be challenged to secure adequate funding to maintain and improve these facilities.

The PEIHC manages and delivers the Canada - PEI Affordable Housing Agreement, signed in 2003. The purpose of this agreement is to provide for the development of affordable housing units across the Province. This agreement provided an additional \$2.75 million in funding for projects. A supplementary agreement was signed in November 2005 to primarily develop urban units and provided an additional \$1.41 million. A further extension will provide an additional \$1 million until March 31, 2011.

Through the Canada - PEI Affordable Housing agreement, PEIHC partnered with the Federal Government under the Canada Economic Action Plan to invest over \$8.5 million over 2 years in new affordable housing and renovations to existing housing. This work is well underway.

To meet the need for low income home owner renovations, the PEIHC and the federal government jointly fund the Residential Rehabilitation Assistance Program (RRAP). This program is administered by the CMHC. The objective of the program is to assist low and moderate income homeowners and landlords who provide service to low and moderate income tenants, with critical repairs to their properties.

Other partners of the PEIHC include the many community members who serve on the Boards for the Family Housing Authorities. Seniors and other client groups, municipal representatives, non-profits, private sector developers, the construction industry, and tenants play an important partnership role in bringing affordable housing to Islanders.

## Aperçu

Les pouvoirs que détient la Société de logement de l'Île-du-Prince-Édouard lui sont conférés en vertu de la *Housing Corporation Act* (1993). La Société de logement permet d'offrir aux citoyens de l'Île-du-Prince-Édouard à revenu faible ou moyen l'accès à des logements sécuritaires, abordables et adéquats.

Au fil des ans, de nombreuses études ont révélé qu'il existe un lien direct entre la santé et le bien-être d'une population et la disponibilité de logements sécuritaires à prix abordables. Depuis les années 1960, par l'entremise de son programme de logement social, la Société de logement tâche de s'assurer que des logements convenables sont mis à la disposition des Insulaires à revenu faible ou moyen. Cependant, il est évident que ces derniers éprouvent des besoins changeants et la Société de logement tente de répondre à ceux-ci par la création de nouvelles unités et la remise en état des logements existants.

La Société de logement partage la responsabilité d'assurer des services de logement avec le ministère des Services communautaires et des Aînés et les conseils locaux de logements familiaux. La Société est responsable de la gestion des éléments d'actifs et de passifs et, des revenus. Le ministère des Services communautaires et des Aînés est responsable de la gestion des logements familiaux par l'entremise de neuf conseils de logements familiaux locaux et la gestion directe de logements pour les aînés; il entretient des relations avec le gouvernement fédéral sur les questions liées au logement et voit à la gestion des ententes conclues avec le gouvernement fédéral et à la prestation de la majorité des programmes de logement, y compris l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable.

La Société collabore avec de nombreux partenaires, surtout la Société canadienne d'hypothèques et de logement (SCHL), le représentant du gouvernement fédéral. La SCHL partage les coûts de programmes provinciaux visant environ 1 700 unités et, en outre, elle gère directement 900 unités de logement sociales financées par le gouvernement fédéral.

Les ententes conclues entre les gouvernements fédéral et provincial visant le partage des coûts relatifs aux logements sociaux contribuent à la location de logements aux aînés, aux familles et aux Insulaires qui en ont besoin. Vu l'arrivée à terme de ces ententes, la Société devra trouver le financement nécessaire pour assurer l'entretien et l'amélioration de ces installations.

La Société de logement gère l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable conclue en 2003 et voit à son application. Le but de cette entente est de financer l'établissement d'unités de logement abordables dans la province. Cette entente a contribué 2,75 millions de dollars supplémentaires pour des projets. Une entente supplémentaire a été conclue en novembre 2005 surtout pour la construction d'unités urbaines, versant un autre 1,41 million de dollars. Il y aura une autre extension jusqu'au 31 mars 2011, permettant de verser un autre 1 million de dollars.

Dans le cadre de l'Entente Canada/Île-du-Prince-Édouard concernant le logement abordable, la Société de logement s'est associée au gouvernement fédéral en vertu du Plan d'action économique du Canada pour investir plus de 8,5 millions de dollars s'échelonnant sur deux ans dans de nouveaux logements abordables et dans la rénovation de logements existants. Le travail est bien entamé.

Pour répondre aux besoins des propriétaires à faible revenu en matière de travaux de rénovation, la Société de logement et le gouvernement fédéral financent conjointement le Programme d'aide à la remise en état des logements (PAREL). Ce programme est géré par la SCHL. L'objectif du programme consiste à aider les propriétaires à revenu faible ou moyen et les propriétaires qui offrent des services à des locataires à revenu faible ou moyen à financer des réparations critiques pour leurs résidences.

Parmi les autres partenaires de la Société de logement, on compte un grand nombre de membres de la collectivité qui siègent aux conseils de logements familiaux. En ce qui concerne le logement abordable pour les Insulaires, la collaboration est primordiale entre les aînés et les autres groupes bénéficiaires, les représentants municipaux, les organismes sans but lucratif, les promoteurs du secteur privé, l'industrie de la construction et les locataires.

## *Year in Review*

The demand for Seniors Housing is strong in urban areas; however, it is stable or declining in most rural areas. In the past year, 193 new tenants were placed in Seniors Housing. This represented a 16.7 per cent turnover of tenants. New applications numbered 294 and the waiting list averaged 434.

The demand for Family Housing has remained steady with lengthy waiting lists in most communities particularly in the Charlottetown, Summerside and Souris areas. Applications during the year totaled 336. There was a 16 per cent turnover rate with 74 families placed. The active waiting list is 419 families. The development of family housing options in response to this need remains a priority.

In addition to operational funding, capital funding was invested to modernize and improve aging housing stock. It is anticipated this investment will continue to be required for the foreseeable future to meet the significant demands. PEIHC will continue to seek further dialogue with the Government of Canada for long term sustainable funding for social housing needs.

## *Bilan de l'année*

Les logements pour les aînés sont en grande demande dans les centres urbains; cependant, la demande est stable ou à la baisse dans la plupart des régions rurales. Au cours de la dernière année, 193 nouveaux locataires se sont installés dans des logements pour personnes âgées. Cela représente 16,7 % du taux de roulement des locataires. Les nouvelles demandes se chiffraient à 294 et la liste d'attente compte 434 familles en moyenne.

La demande relative aux logements familiaux demeure constante; il existe de longues listes d'attente dans la majorité des collectivités, plus particulièrement dans les régions de Charlottetown, de Summerside et de Souris. Un total de 336 demandes a été présenté au cours de l'année. Le taux de roulement se chiffrait à 16 % et 74 familles se sont installées. À l'heure actuelle, la liste d'attente compte 419 familles. L'élaboration d'options en matière de logements familiaux demeure prioritaire pour répondre à ces besoins.

Outre le financement des opérations, des fonds d'immobilisation ont été investis dans la remise en état et l'amélioration du stock de logements vieillissants. Dans un avenir prévisible, on estime que des sommes supplémentaires seront investies vu le nombre considérable de demandes. Nous désirons poursuivre les pourparlers avec le gouvernement fédéral afin d'obtenir du financement durable à long terme en vue de répondre aux besoins en matière de logements sociaux.

## *Programs and Services*

### **Seniors Housing**

Seniors housing units are located in communities across the province and provide apartment style, self-contained rental units to low and moderate income seniors who are unable to meet their housing needs independently. Rent for seniors housing is 25 per cent of seniors' income.

The proportion of seniors in the population is expected to increase dramatically over the next 20 years. Statistical studies show this population increase will translate into increased demand for subsidized seniors housing.

### **Garden Suites**

Another form of subsidized housing for seniors are garden suites. These are one bedroom units placed on the property of a host family. When no longer required by the tenant, suites are moved to another site.

There are six garden suites in the PEIHC housing portfolio.

### **Family Housing**

This program provides subsidized housing to low and moderate income families who are unable to obtain adequate and affordable accommodations in the private market. The units, with rents based on 25 per cent of income, are situated in communities across the province.

Of increasing concern is the consistently high number of families waiting for units in comparison to the number of units available and the low turnover rates in the Charlottetown and Summerside areas.

### **Rent Supplement**

This program utilizes private market housing to provide accommodations for families selected from the family housing waiting lists. Rents are made affordable for the families via rent subsidies. There are 18 rent subsidies provided with 12 in Charlottetown and six in Summerside.

### **Rural and Native Housing**

This program provides rent-to-income housing for low and moderate income families. There are eight units across the province.

## **Rural Community Housing**

This program provides 11 affordable rental housing units in small rural communities.

## **Federal Provincial Agreements**

On May 23, 2003, the Canada-PEI Affordable Housing Agreement was signed. The agreement was extended to March 31, 2011. Funding under this agreement is used to create new affordable housing units for low to moderate income Islanders through rental, conversion and home ownership initiatives.

The program is administered by the Department of Community Services and Seniors and the PEIHC. Affordable housing projects are selected based on provincial priorities that include housing for families, persons with disabilities and persons with special needs. The PEIHC has partnered with Habitat for Humanity to deliver the home ownership component.

Maximum funding under both phases of the agreement and the extension of the agreement is \$5.16 million to be matched by the PEIHC, municipalities and other partners. Housing supported by the Canada-P.E.I. Affordable Housing Agreement must be affordable for ten years.

Two additional home-ownership units were created through a partnership with Habitat for Humanity.

Planning is well underway for utilization of funding from the Canada Economic Action Plan.

## **Residential Rehabilitation Assistance Program**

This program provides for major renovations, emergency repairs and home adaptations for low income home owners and major renovations for landlords renting to low income tenants. Property owners receive a fully forgivable loan provided they keep the home for five years after the repairs or improvements have been made. This is a federal/provincial cost shared (75/25) program administered by CMHC.

- Homeowner RRAP - Provides assistance to low income homeowners to bring their property up to minimum health and safety standards.
- RRAP For Disabled Persons - Provides assistance to households occupied by persons with disabilities who require special modifications to improve accessibility to their residence.

- Rental/Rooming House RRAP - Provides support for rehabilitation to private rentals or rooming houses for low income Islanders in core need of housing.
- Emergency Repair Program - Provides assistance to homeowners in rural and remote areas to undertake emergency repairs required for the continued safe occupancy of their residence.
- Home Adaptation For Seniors Independence - Assists low-income Canadians, aged 65 or older, whose difficulties in daily living can be addressed through adaptations to their homes.
- Shelter Enhancement - Provides assistance to repair existing and create new shelters and second stage housing for women, children and youth who are victims of family violence both on and off First Nations Reserves.
- RRAP Conversion - Provides assistance to convert existing commercial or buildings not used for housing into housing units.
- Secondary Suites - Provides financial assistance for the creation of Secondary or Garden Suites for a low-income senior or an adult with a disability - making it possible for them to live independently in their community, close to family and friends. A secondary suite is a self contained separate unit within an existing home or an addition to a home. This means there are full kitchen and bath facilities as well as a separate entrance. A garden suite is a separate living unit that is not attached to the principal residence but is located on the same property.

## *Appendix "A"*

### *Program Activity and Information*

#### *Seniors Housing Program*

#### **Program Performance:**

##### ***Current Measures***

•	Number of units
•	Number of placements
•	Number of new applications
•	Number of seniors on waiting lists
•	Turnover rates

#### **Some Results:**

##### ***Seniors Housing***

FISCAL YEAR	2006-2007	2007-2008	2008-2009	2009-2010
Units	1,158	1,157	1,157	1,157
Placements	154	156	170	193
New Applications	198	290	335	294
Waiting List	195	339	410	434
Turnover Rates	13.3%	13.5%	14.7%	16.7%

### Seniors Housing Units

West Prince		Kings (Southern)	
Alberton	16	Belfast	6
O'Leary	24	Cardigan	3
St. Louis	4	Georgetown	16
Tignish	14	Montague	91
<b>Total</b>	<b>58</b>	Murray Harbour	6
East Prince		Murray River	6
Abrams Village	5	Vernon River	5
Bedeque	6	Garden Suite - Georgetown	1
Borden	22	<b>Total</b>	<b>134</b>
Kensington	50	Kings (Eastern)	
Kinkora	11	Morell	12
Miscouche	17	Rollo Bay	14
Mont Carmel	6	Souris	81
Summerside	152	St. Charles	4
Tyne Valley	11	St. Peters	9
Wellington	22	Garden Suite - Morell East	1
Wilmot	6	Garden Suite - Rollo Bay	1
Garden Suite - Mt. Carmel	1	Garden Suite - Fortune	1
<b>Total</b>	<b>309</b>		<b>123</b>
Queens			
Charlottetown	471	<b>Total Seniors Units</b>	<b>1157</b>
Cornwall	14		
Crapaud	13		
Hunter River	14		
Mt. Stewart	6		
North Rustico	6		
South Rustico	4		
Tracadie Cross	4		
Garden Suite - Lake Verde	1		
<b>Total</b>	<b>533</b>		

## *Family Housing Program*

### **Program Performance:**

#### ***Current Measures***

- Number of units
- Number of placements
- Number of new applications
- Number of families on waiting lists
- Turnover rates

### **Some Results:**

#### ***Family Housing***

FISCAL YEAR	2006-2007	2007-2008	2008-2009	2009-2010
Units	476	476	463	463
Placements	105	86	86	74
New Applications	268	284	311	336
Waiting List	333	382	401	419
Turnover Rates	22%	18%	19%	16%

#### ***Family Housing Boards and Number of Units Administered***

Alberton	22	O'Leary	23
Charlottetown Area	172	Souris	36
Georgetown	27	Summerside	99
Montague	62	Tignish	16
Mt. Stewart	6	<b>Total</b>	<b>459*</b>

\* An additional four units of Family Housing located in Crapaud are administered by staff of Community Services and Seniors.

## *Residential Rehabilitation Assistance Program*

	Number of Loans
Home Owner	35
Persons with Disabilities	16
Rental/Rooming House	32
Emergency Repair Program	19
Home Adaptation for Seniors Independence	5
Shelter Enhancement	0
RRAP Conversion	0
Secondary Suites	2
<b>Total</b>	<b>109</b>

## *Financial Statements*

**AUDITOR GENERAL**

CHARLOTTETOWN  
PRINCE EDWARD ISLAND

**PRINCE EDWARD ISLAND**

**HOUSING CORPORATION**

**FINANCIAL STATEMENTS**

**MARCH 31, 2010**

## AUDITOR GENERAL

CHARLOTTETOWN  
PRINCE EDWARD ISLAND  
AUDITOR'S REPORT

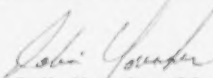
Hon. Janice Sherry  
Minister of Community Services, Seniors and Labour  
Province of Prince Edward Island

I have audited the balance sheet of the Prince Edward Island Housing Corporation as at March 31, 2010 and the statements of operations and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

During the year, the Corporation capitalized \$592,100 (2009 - \$621,000) in maintenance expenses. Prior to 2008, similar expenses were not capitalized and the Corporation has not retrospectively adjusted the prior year's balances for this change in accounting policy. Canadian generally accepted accounting principles recommend that the cost incurred in the maintenance of the service potential of an item of property, plant and equipment is a repair, not a betterment and as such should not be capitalized. If these expenses had not been capitalized, Federal-Provincial projects would have been decreased by \$428,000 (2009 - \$291,800), Rental Housing projects would have been decreased by \$1,058,200 (2009 - \$788,900), contributed surplus would have been decreased by \$1,486,200 (2009 - \$1,080,700), amortization of contributed surplus would have been decreased by \$379,100 (2009 - \$192,500) and amortization expense would have been decreased by \$379,100 (2009 - \$192,500). Also, Canadian generally accepted accounting principles require a change in accounting policy to be applied retrospectively. In addition, the unamortized cost of the components being replaced have not been expensed.

In my opinion, except for the effects of capitalizing maintenance expenses and not applying this change retrospectively as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

  
Colin Younker, CA  
Auditor General

Charlottetown, Prince Edward Island  
August 6, 2010

PRINCE EDWARD ISLAND HOUSING CORPORATION  
BALANCE SHEET  
AS AT MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Current assets		
Cash	\$ 121,700	\$ 515,800
Accounts receivable (Note 4)	<u>3,771,400</u>	<u>3,491,200</u>
	<u>3,893,100</u>	<u>4,007,000</u>
Mortgages receivable	<u>8,200</u>	<u>7,300</u>
Investment in properties		
Agreements of sale	23,500	21,400
Land for resale or development	199,000	218,200
Capital assets (Note 5)	<u>24,920,400</u>	<u>25,947,500</u>
	<u>25,142,900</u>	<u>26,187,100</u>
<b>TOTAL ASSETS</b>	<b><u>\$29,044,200</u></b>	<b><u>\$30,201,400</u></b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities		
Accounts payable and accrued liabilities (Note 6)	\$ 1,530,400	\$ 744,400
Current portion of long-term debt (Note 9)	<u>2,005,000</u>	<u>2,094,400</u>
	<u>3,535,400</u>	<u>2,838,800</u>
Long-term liabilities		
Canada Mortgage and Housing Corporation (Note 7)	22,260,700	23,897,600
Province of PEI (Note 8)	<u>1,065,600</u>	<u>1,563,400</u>
	<u>23,326,300</u>	<u>25,461,000</u>
Equity		
Contributed surplus - Province of PEI (Note 10)	<u>2,182,500</u>	<u>1,901,600</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$29,044,200</u></b>	<b><u>\$30,201,400</u></b>

(The accompanying notes are an integral part of these financial statements.)

SIGNED ON BEHALF OF THE CORPORATION:

*A/ Carolyn Sutton*

MINISTER OF COMMUNITY SERVICES, SENIORS AND LABOUR

PRINCE EDWARD ISLAND HOUSING CORPORATION  
STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31, 2010

	<u>2010</u>	<u>2009</u>
<b>Revenues</b>		
Province of PEI - Grant	\$2,472,475	\$3,102,277
Cost recoveries - Canada Mortgage and Housing Corporation (Note 14)	3,042,152	2,896,479
Rental income	4,388,600	4,270,200
Interest income	2,700	2,800
Miscellaneous	24,300	40,700
Gain on disposal of property (Note 5)	-	2,000
Amortization of contributed surplus (Note 10)	311,200	254,800
Federal contributions: (Notes 13 and 15)		
Canada Economic Action Plan		
- Economic Stimulus Program	1,390,600	-
- Unilateral Program	152,600	-
- Unilateral Program - Other	430,000	-
Affordable Housing Agreements	510,000	-
	<u>12,724,627</u>	<u>10,569,256</u>
<b>Expenses</b>		
Amortization	1,514,200	1,470,300
Interest	1,154,100	1,395,400
Property taxes	1,028,400	1,038,700
Loss on disposal of property (Note 5)	54,300	-
Administration	118,500	66,100
Equipment	5,100	58,400
Operating costs (Note 11)	5,413,027	5,767,456
Travel and training	92,000	95,900
Professional and contract services	336,100	370,900
Grants (Note 12)	1,035,700	306,100
Canada Economic Action Plan		
Renovation and Retrofit (Note 15)	1,973,200	-
	<u>12,724,627</u>	<u>10,569,256</u>
<b>Net income</b>	<u>\$ -</u>	<u>\$ -</u>

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND HOUSING CORPORATION  
STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31, 2010

	2010	2009
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ -	\$ -
Amounts charged against income not requiring an outlay of cash:		
Amortization of investment in properties	1,514,200	1,470,300
Amortization of contributed surplus (Note 10)	(311,200)	(254,800)
Loss (gain) on disposal of property	<u>54,300</u>	<u>(2,000)</u>
	1,257,300	1,213,500
Change in non-cash working capital:		
(Increase) decrease in accounts receivable	(280,200)	581,000
Increase in accounts payable	<u>786,000</u>	<u>251,900</u>
	<u>1,763,100</u>	<u>2,046,400</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) decrease in mortgages receivable	(900)	14,700
(Increase) in agreements of sale	(2,100)	(2,900)
Proceeds from property transactions	59,900	2,000
(Increase) in capital renovations	<u>(592,100)</u>	<u>(621,000)</u>
	<u>(525,200)</u>	<u>(607,200)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Cash payments to reduce long-term debt obligations	(2,224,100)	(2,146,700)
Increase in contributed surplus - capital renovations	<u>592,100</u>	<u>621,000</u>
	<u>(1,632,000)</u>	<u>(1,525,700)</u>
Decrease in cash during the year	(394,100)	(86,500)
Cash, beginning of year	<u>515,800</u>	<u>602,300</u>
Cash, end of year	<u>\$ 121,700</u>	<u>\$ 515,800</u>
Supplementary disclosure		
Interest paid	<u>\$1,217,500</u>	<u>\$1,490,000</u>

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND HOUSING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2010

1. Purpose of the organization

The Prince Edward Island Housing Corporation (the Corporation) operates under the authority of the *Housing Corporation Act* of Prince Edward Island. The Corporation's general objectives are to establish housing projects, construct, acquire or renovate housing accommodations for sale or rent, and promote measures which will contribute to the availability of adequate and improved housing for low income families and individuals, elderly persons, or other groups that require assistance. The Corporation also works towards improving the quality of housing and amenities related to housing.

The Minister, having overall responsibility for the administration of the Act, has designated a senior public officer to supervise the administration and management of the Corporation and perform such duties as the Minister may assign. Housing operations operate using staff of the Department of Community Services, Seniors and Labour (DCSSL).

2. Summary of significant accounting policies

The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

(a) Revenue recognition

Revenues are recorded using the accrual basis of accounting.

Federal contributions provided by the Canada Mortgage and Housing Corporation (CMHC) are restricted in accordance with provisions of the Affordable Housing Program Agreements, Unilateral Funding Program Agreements and the Housing Renovation Program Agreement (Note 12). Accordingly, federal contributions are recognized as revenue when the related expenses are incurred.

(b) Expense recognition

Expenses are recognized using the accrual basis of accounting.

Grants are recognized as an expense when an application for assistance has been approved and performance requirements have been met by the client. Conditional grants provided to homeowners, developers, landlords, co-operatives and non-profit housing sponsors are accounted for as grants.

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2. Summary of significant accounting policies (continued...)

(c) Capital assets

Capital assets relate to investments in Federal-Provincial and Rental Housing projects and are recorded at cost less accumulated amortization.

Amortization is provided using the straight-line method at the following annual rates:

Buildings	40 yrs
Renovations	10 yrs

(d) Financial risk management objectives and policies

The Corporation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. Management has not entered into hedging transactions to manage risk. As part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk and employs appropriate investment and credit management policies to manage the Corporation's exposure.

(e) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Significant items subject to estimates include the carrying amount and amortization of investments in properties and underlying assessments of service potential, the valuation of land held for future development and the carrying amount of loans receivable and underlying estimates of the allowance for loan impairment. Due to the inherent uncertainty involved, actual results could differ from management's estimates.

3. Financial instruments

All financial instruments reported on the balance sheet of the Corporation are classified as follows:

Cash - Held for trading  
Accounts receivable, mortgages receivable and agreements of sale - Loans and receivables  
Accounts payable, accrued liabilities and long-term liabilities - Other liabilities

Due to their nature, all financial instruments are considered to be carried at fair value or amounts which approximate fair value.

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4. Accounts receivable

	<u>2010</u>	<u>2009</u>
CMHC	\$3,482,500	\$2,696,000
General	<u>292,300</u>	<u>849,300</u>
	3,774,800	3,545,300
Less: allowance for doubtful accounts	<u>3,400</u>	<u>54,100</u>
	<u>\$3,771,400</u>	<u>\$3,491,200</u>

5. Capital assets

(a) Cost

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2010 Net Book Value</u>	<u>2009 Net Book Value</u>
<u>Federal-Provincial Projects</u>				
Land	\$ 308,200	\$ -	\$ 308,200	\$ 309,100
Buildings	6,076,400	4,145,900	1,930,500	2,086,000
Renovations	<u>537,700</u>	<u>109,700</u>	<u>428,000</u>	<u>291,800</u>
	6,922,300	4,255,600	2,666,700	2,686,900
 <u>Rental Housing Projects</u>				
Land	2,246,200	-	2,246,200	2,254,200
Buildings	49,701,000	30,751,700	18,949,300	20,217,500
Renovations	<u>1,327,600</u>	<u>269,400</u>	<u>1,058,200</u>	<u>788,900</u>
	53,274,800	31,021,100	22,253,700	23,260,600
 Total	<u>\$60,197,100</u>	<u>\$35,276,700</u>	<u>\$24,920,400</u>	<u>\$25,947,500</u>

Capital assets represent the Corporation's ownership interest in housing projects constructed or acquired pursuant to partnership agreements. The Corporation's cost is net of amounts provided by CMHC in consideration for an ownership interest in the housing projects.

(b) Disposal of properties

During the year, the Corporation recognized losses totalling \$54,300 (2009 - \$2,000 gain) on the disposal of certain properties.

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6. Accounts payable and accrued liabilities

	<u>2010</u>	<u>2009</u>
Accrued interest	\$ 255,100	\$ 318,500
Province of PEI	537,700	370,200
General	737,600	55,700
	<u>\$ 1,530,400</u>	<u>\$ 744,400</u>

7. Long-term liabilities CMHC

	<u>2010</u>	<u>2009</u>
Mortgages payable	\$20,542,800	\$21,998,000
Debentures payable	3,225,100	3,353,400
	<u>23,767,900</u>	<u>25,351,400</u>
Less: current portion	1,507,200	1,453,800
	<u>\$22,260,700</u>	<u>\$23,897,600</u>

Long-term liabilities have maturity dates ranging from 2012 to 2029, with interest rates ranging from 2.65% to 11.00% and secured by properties. Included in interest expense is \$980,710 (2009 - \$1,148,176) relating to CMHC long-term liabilities.

8. Long-term liabilities Province of PEI

	<u>2010</u>	<u>2009</u>
Debentures payable	\$1,563,400	\$2,204,000
Less: current portion	497,800	640,600
	<u>\$1,065,600</u>	<u>\$1,563,400</u>

Long-term liabilities have maturity dates ranging from 2010 to 2024, with interest rates ranging from 8.86% to 12.00% and secured by properties. Included in interest expense is \$173,400 (2009 - \$247,000) relating to the Province of PEI long-term liabilities.

9. Principal portion of all long-term debt due over the next five years is as follows:

2010/11	\$2,005,000
2011/12	1,908,300
2012/13	1,772,400
2013/14	1,813,800
2014/15	1,786,200

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10. Contributed Surplus

Contributions provided by the Province of PEI for the investment in properties consists of the following:

	<u>2010</u>	<u>2009</u>
Contributed surplus, beginning of year	\$1,901,600	\$1,535,400
Add: Capital Renovations	<u>592,100</u>	<u>621,000</u>
	<u>\$2,493,700</u>	<u>\$2,156,400</u>
Deductions for amortization of contributed surplus		
Senior Citizens Housing	72,000	72,000
Family Housing	28,300	31,100
Manors	24,400	24,400
Capital Renovations	<u>186,500</u>	<u>127,300</u>
	<u>311,200</u>	<u>254,800</u>
Contributed surplus, end of year	<u>\$2,182,500</u>	<u>\$1,901,600</u>

11. Operating Costs

	<u>2010</u>	<u>2009</u>
Utilities	\$1,728,270	\$1,959,815
Repairs & maintenance	1,579,383	1,832,617
Renovations	582,390	605,110
Rent supplement	93,727	94,756
Materials, supplies and services		
(includes Department allocations)	<u>1,429,257</u>	<u>1,275,158</u>
	<u>\$5,413,027</u>	<u>\$5,767,456</u>

12. Grants

	<u>2010</u>	<u>2009</u>
Housing Renovation Program Agreement	\$ 325,000	\$ 306,100
Affordable Housing Agreement		
CMHC (Note 13)	510,000	-
Other	200,000	-
Other	<u>700</u>	<u>-</u>
	<u>\$1,035,700</u>	<u>\$ 306,100</u>

Housing Renovation Program Agreement

The Housing Renovation Program Agreement establishes a structure for cost-shared programs that provide assistance to homeowners and landlords for repairs to and rehabilitation of properties occupied by low income individuals. CMHC and the Corporation will contribute up to 75% and 25% respectively to fund eligible program costs. During the year, the Corporation and CMHC executed a Supplementary Agreement Letter that extends the term of the Housing Renovation Program Agreement by two years, to provide funding for commitments approved by March 31, 2011 and incurred by March 31, 2013. The Corporation has paid \$325,000 (2009 - \$306,100) in assistance to eligible projects.

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13. Federal Contributions

**Affordable Housing Agreement**

Funding through Affordable Housing Agreement has been provided by CMHC to increase the supply of affordable housing in Prince Edward Island. CMHC will make matching contributions to the Corporation in accordance with the Original Agreement (Phase I), to match \$2.75 million in eligible expenditures incurred by March 31, 2010; Supplementary Agreement No. 3 (Phase II), to match \$1.41 million in eligible expenditures incurred by March 31, 2010; and Supplementary Agreement No. 3 (2009 Extension), to match \$1 Million in eligible expenditures committed by March 31, 2010 and incurred by March 31, 2012.

To date, \$4.16 million of the \$5.16 million of available funding from CMHC has been committed to projects, with \$3.65 million incurred.

During the year, CMHC committed Affordable Housing funding of \$1,195,100 (2009 - \$300,000) to eligible approved projects, of which \$510,000 (2009 - \$0) has been incurred.

**Economic Stimulus Program**

Economic Stimulus Program funding has been provided by CMHC to create new affordable housing rental units for low-income seniors, renovate and upgrade existing CMHC-assisted social housing and to meet modern energy-efficiency and accessibility standards, and provide housing for persons with disabilities.

Supplementary Agreement No. 3 (Affordable Housing Agreement 2009 extension) also established a plan for the use of Economic Stimulus Program funding, where up to \$4.27 million in contributions will be made by CMHC to the Corporation to achieve the stated objectives. Commitments must be approved by March 31, 2011 and eligible expenditures incurred by March 31, 2012.

As of March 31, 2010, CMHC has committed Economic Stimulus Program funding of \$2,080,000 to eligible approved projects, of which \$1,390,600 has been incurred.

**Unilateral Program**

Under the Renovation and Retrofit of Social Housing Initiative pursuant to Section 51 of the *National Housing Act*, CMHC may make contributions for the purpose of the renovation, general improvement, energy efficiency upgrade or conversion, modification to support persons with disabilities and regeneration of existing social housing projects.

As of March 31, 2010, CMHC has incurred Unilateral Program funding of \$582,600 to eligible approved projects.

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**14. Cost Recovery - Canada Mortgage Housing Corporation**

The Corporation is eligible for subsidy assistance from CMHC. Subsidy assistance is paid by project terms and conditions and equal to the difference between eligible annual operating costs and project revenues for designated units.

**15. Renovation and Retrofit**

The Corporation received Canada Economic Action Plan funding to renovate and retrofit existing housing units. Funding has been spent under the following programs:

Economic Stimulus Program	\$1,390,600
Unilateral Program	152,600
Unilateral Program - Other	430,000
Total	<u>\$1,973,200</u>

Unilateral Programs - Other projects exceed \$25,000 in renovation and retrofit expenses. In addition to separate disclosure, the Corporation is required and has entered into mortgages for each project exceeding \$25,000 with CMHC. The mortgage provides collateral security for repayment of \$430,000 to CMHC if certain conditions are not satisfied by the Corporation under the ten year agreement term.

**16. Related Party Transactions**

These financial statements include the results of normal operating transactions with various Provincial Government controlled departments, agencies and Crown corporations, with which the Housing Corporation may be considered related. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The Province has assumed responsibility for certain operating costs that are shared with other departments, such as property insurance, management salaries and benefits. These costs and related expenses have not been reflected in the Corporation's financial statements.

**17. Change in Accounting Policy**

Corporations with fiscal periods beginning on or after January 1, 2011 are required to disclose their basis of accounting. Corporations that are expected to change their basis of accounting are required to disclose this fact in periods preceding the period the change becomes effective. Management is currently reviewing planned changes to Canadian accounting standards and assessing the potential impact on the Corporation's financial statements.

**18. Prior Period Comparatives**

Prior period results have been restated to conform to the presentation format adopted in the current period.



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